

Notice of Special Meeting of the Members on Proposal to Merge allU.S. Credit Union

On October 8, 2021, the Board of Directors of your credit union approved a proposition to merge allU.S. Credit Union (allU.S.) with Pentagon Federal Credit Union (PenFed). You are encouraged to attend a special meeting of your credit union on August 1, 2022 at 5:00pm PST, either in person at 1410 N. Main St., Salinas, CA 93906 or virtually, in accordance with the instructions in the Voting Information section below.

Purpose of the Meeting

The meeting has two purposes:

1. To consider and act upon a proposal to merge our credit union with PenFed, the continuing credit union.
2. To approve the action of the Board of Directors of our credit union in authorizing the officers of the credit union, subject to member approval, to carry out the proposed merger.

If this merger is approved, our credit union will transfer all its assets and liabilities to PenFed. As a member of our credit union, you will become a member of PenFed. On the effective date of the merger, you will receive shares in the continuing credit union for the shares you own now in our credit union.

Other Information Related to the Proposed Merger

The directors of the participating credit unions carefully analyzed the assets and liabilities of the participating credit unions and appraised each credit union's share values. The appraisal of the share values appears on the attached individual and consolidated financial statements of the participating credit unions.

The directors of the participating credit unions have concluded that the proposed merger is desirable for the following reasons:

In today's landscape of digital transformation coupled with evolving technology, regulatory compliance, and increasing cybercriminal threats, our Board of Directors evaluated strategic possibilities to assure that you, our member, will continue to receive the full range of products and services you deserve.

To ensure continuity of operations while seeking to expand product offerings and improve services, we have been diligently searching to find alternatives. A merger with PenFed meets the full range of our objectives: growth of membership, expansion of product offerings, infusion of investment in IT cybersecurity, improved training, and enhanced community service. After considering alternatives, we determined that a merger with PenFed is in the best interest of our members.

Net Worth

The net worth of a merging credit union at the time of a merger transfers to the continuing credit union. allU.S. has a higher net worth to assets ratio than PenFed.

Share Adjustment

allU.S.' Board of Directors has determined to distribute a \$250 special dividend from a portion of allU.S.' net worth (approximately \$1,000,000) to its eligible members in the merger. Eligible members are defined as those natural person members having at least one share in their regular savings account and who continue to be a member in good standing as of the date the capital distribution is paid. A member is not in good standing and is ineligible to receive the bonus dividend if they have caused the credit union a loss due to loan and/or share charge-offs or have a loan and/or a VISA credit card account that is 60-days or more past due.

Merger-Related Financial Arrangements

allU.S.' Board of Directors has also paid special attention to the protection of its highly valued employees. I am very happy to inform you that all full-time allU.S. employees will be retained. A major aspect of our decision to partner with PenFed pertains to its best-in-class employee benefits. PenFed is a national destination employer that offers competitive benefits to all employees, including individual and family health, vision, and dental insurance, 401(k) matching, life insurance, education assistance and other typical benefits. allU.S. employees offered employment with PenFed will be eligible to participate in these benefits in accordance with the terms and conditions of the benefit plan documents. The amount of such benefits is incalculable at this time as they are dependent on the employees' corresponding elections.

NCUA Regulations require merging credit unions to disclose certain increases in compensation that any of the merging credit union's officials have received or will receive in connection with the merger. No merging credit union official will receive an increase in his or her compensation.

PenFed will provide allU.S.' Chief Executive Officer, Patrick Redo, with a three-year guarantee of employment. In addition, Loan Manager, Robin Ceralde, and Operations Manager, Chantal Alcantar, will each receive a three-year guarantee of employment. If termination of employment by either party occurs after twelve (12) months from the merger completion date, each employee can receive a maximum of twenty-four (24) months of their current annual salary as severance.

After the twelfth month (12th) of employment following the merger completion date and for each successive month, up to the thirty-sixth (36th) month of employment, one (1) month of severance pay will be deducted from the total twenty-four (24) month severance guarantee available to these three employees.

- Patrick Redo’s annual salary is \$168,979.20; maximum one-time payout if employment is terminated by either party would be \$337,958.40
- Robin Ceralde’s annual salary is \$68,577.60; maximum one-time payout if employment is terminated by either party would be \$137,155.20
- Chantal Alcantar’s annual salary is \$54,059.20; maximum one-time payout if employment is terminated by either party would be \$108,118.40

The aforementioned severance packages may result in a one-time payment of \$583,232.00

Changes to Services and Member Benefits

Business Checking/Savings Accounts	Courtesy Pay Overdraft Protection
Christmas Club Accounts	MoneyDesktop Account Aggregation
TicketsatWork Discount Admission Tickets	

The following table outlines any increases in service fees:

Service Fee	PenFed	allU.S.
ATM Balance Inquiry	\$1.00/inquiry	Free
Outgoing Wires - Domestic	\$25.00/wire	\$20.00/wire
Check Stop Payment	\$20.00/item	\$15.00/item
Loan Subordination	\$150.00	\$75.00

Because PenFed is a healthy, financially sound credit union, the amount a member has on deposit at allU.S. before the merger will result in an equal amount on deposit at PenFed after the merger and no adjustment in the accounts of any member will be required.

Branch Locations

PenFed intends to maintain allU.S.’ current branch, located at:

- 1410 N. Main St., Salinas, CA 93906

PenFed has 45 branches nationwide, with one branch in California:

- 9494 Miramar Road, San Diego, CA 92126

PenFed’s main office is located at:

- 7940 Jones Branch Drive, McLean, VA 22102

California Financial Code, Section 15201(b)

California Financial Code Section 15201(b) provides that the Board of Directors may apply to the Commissioner of Financial Protection and Innovation for approval of a merger in accordance with a plan of merger approved by a majority of the board of directors of each credit union that is a party to the merger, even though less than a majority of the outstanding members of a

disappearing credit union has voted to approve the merger. In order to approve a merger in such a case, the Commissioner must find, upon the written and verified application filed by the board of directors, that: (1) notice of the meeting called to consider the merger, or the ballot for written vote on the merger, was mailed to each member entitled to vote on the merger; (2) the notice or ballot disclosed the purpose of the meeting or the written vote; (3) the notice or ballot informed the membership that approval of the merger might be sought pursuant to Financial Code Section 15201(b); and (4) a majority of the votes cast were in favor of the merger.

This notice is to advise you that the purpose of the membership meeting scheduled for August 1, 2022 is to vote on the question of whether this credit union should merge with and into Pentagon Federal Credit Union.

Further, this is to advise you that the Board of Directors will make an application under Financial Code Section 15201(b) for approval of the merger in the event that a majority of all members of this credit union do not vote to approve the merger, in person or by ballot.

Voting Information

Please be assured that you are our valued member, and we have every confidence that you will be pleased by the level of commitment, service, and value that you will receive from PenFed. We strongly believe that the proposed merger will provide our membership improved services, access to a more robust and competitive product offerings, and an online and mobile banking experience that allU.S. is currently not able to offer you, our valued member.

The merger must have the approval of a majority of members of the credit union who vote on the proposal. The Board of Directors encourages you to attend the meeting and vote on the proposed merger. Whether or not you expect to attend the meeting, we urge you to sign, date and promptly return the enclosed ballot to vote on the proposed merger.

If you wish to submit comments about the merger to share with other members, you may submit them to the National Credit Union Administration (NCUA) at <https://www.ncua.gov/support-services/credit-union-resources-expansion/credit-union-merger-resources/comments-proposed-credit-union-mergers> or National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428. The NCUA will post comments received from members on its website, along with the member's name, subject to the limitations and requirements of its regulations.

The independent firm CUBallot will serve as the Teller of Election and will attest to the balloting process and results.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. If you cannot attend the meeting, in-person or virtually, please complete the ballot, and return it to the Teller of Election using the enclosed self-addressed and prepaid envelope provided no later than 5:00pm PST on August 1, 2022. To be counted, your ballot must reach us by the date and time announced for the meeting. Ballots will not be accepted at the allU.S. branch location. If you intend to vote in-person at the Special Meeting, CUBallot will provide a mechanism at the meeting to vote electronically. The in-person Special Meeting will take place at allU.S.' office at 1410 N. Main St., Salinas, CA 93906.

The Special Meeting will also be simulcast live, accessible through alluscu.com by clicking the "Vote Now" button. Members will be able to hear and read information about the proceedings

during the live meeting. You can vote online at alluscu.com and select the “Vote Now” button and follow the directions inside.

Pressing the “Vote Now” button at alluscu.com is a means to facilitate the voting process:

- Votes will be tallied by an independent third party.
- Voting members will be validated as members of allU.S. for votes to count.
- A record of all votes will be kept including member validation information. The independent third party will validate membership using non-public member information and for any ballot duplication.

Directions for Attending Virtual Special Meeting

To attend the virtual Special Meeting, please visit:

<https://alluscu.com/> and click on the “Vote Now” button.

BY ORDER OF THE BOARD OF DIRECTORS:



Robert Vanderslice, Chairman, Board of Directors

May 31, 2022

Date

**COMBINED STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2021**

[Utilizing NCUA Call Reports dated December 31, 2021]

	PenFed	ALLUS	MERGER ADJUSTMENTS	COMBINED
ASSETS				
Total Loans Outstanding	\$ 23,748,640,133	\$ 18,881,364	\$ (405,458)	\$ 23,767,116,039
(Less) Allowance for Loan Losses	(251,355,174)	(200,500)	200,500	(251,355,174)
Net Loans	23,497,284,959	18,680,864	(204,958)	23,515,760,865
Loans Held for Sale	3,910,277,179	-	-	3,910,277,179
Investments	2,348,431,901	14,919,943	-	2,363,351,844
Cash	554,803,847	13,374,944	(1,000,000)	567,178,791
Land & Building (net)	299,803,356	3,691,183	-	303,494,539
Other Fixed Assets (net)	236,714,675	546,808	-	237,261,483
Intangibles & Goodwill (net)	143,832,608	-	(4,577,176)	139,255,432
All Other Assets	1,528,876,854	676,947	667,620	1,530,221,421
TOTAL ASSETS	32,520,025,379	51,890,689	(5,114,514)	32,566,801,554
LIABILITIES AND EQUITY				
Accounts Payable	456,004,680	388,199	100,000	456,492,879
Dividends Payable	10,286,114	-	-	10,286,114
All Other Liabilities	5,864,911,076	-	-	5,864,911,076
Total Liabilities	6,331,201,870	388,199	100,000	6,331,690,069
Total Shares	23,087,981,502	44,507,976	600,000	23,133,089,478
Regulatory/Statutory Reserves	90,900,456	430,481	(430,481)	90,900,456
Net Income	-	-	-	-
Undivided Earnings	2,969,571,570	6,464,081	(5,284,081)	2,970,751,570
Equity Acquired in Mergers	78,095,811	-	-	78,095,811
Donated Equity	2,762,389	-	-	2,762,389
Other Comprehensive Income	(29,237,994)	-	-	(29,237,994)
Unrealized Holding Gain(Loss)	(11,250,225)	99,952	(99,952)	(11,250,225)
TOTAL LIABILITIES & EQUITY	\$ 32,520,025,379	\$ 51,890,689	\$ (5,114,514)	\$ 32,566,801,554

	PenFed		ALLUS		COMBINED	
	No.	Amount	No.	Amount	No.	Amount
CLASSIFICATION OF LOANS OUTSTANDING						
a. Current and less than 2 months delinquent	1,776,060	23,458,049,878	1,711	18,852,965	1,777,771	23,476,902,843
b. 2 to less than 6 months delinquent	9,570	153,818,697	2	2,505	9,572	153,821,202
b. 6 to less than 12 months delinquent	1,516	56,464,487	-	-	1,516	56,464,487
d. 12 or more months delinquent	949	80,307,071	4	25,894	953	80,332,965
e. Total Loans	1,788,095	23,748,640,133	1,717	18,881,364	1,789,812	23,767,521,497
MISCELLANEOUS INFORMATION						
a. Number of Members	-	2,553,760	-	3,926	-	2,557,686
b. Number of potential members	-	331,893,750	-	420,000	-	332,313,750
c. Probable Asset/Share Ratio	-	1.134	-	1.157	-	1.134

Net Worth 9.65% 13.29%